

Questions & Answers

What is a Flexible Benefits Plan?

A benefit provided by your employer that lets you set aside a certain amount of your paycheck into an account before paying income taxes. Then, during the year you can be directly reimbursed from your account for qualified healthcare and daycare expenses.

Why should I participate in Healthcare Reimbursement Account when I already have health insurance?

This account is used to pay for your dependent's and your own expenses not covered by health insurance. For example - annual physicals, co-payments, eye exams, glasses, orthodontics, prescription drugs, and hospital care to name a few.

If I set aside part of my pay, won't I make less money?

No. Your net take-home pay will increase by the amount of taxes you did not pay. An example of how it may work for you is detailed on the inside of this brochure.

Can I change my contribution during the year?

Only if you have a change in status as: marriage, birth, adoption, or a change in yours or your spouse's, or your dependent's employment status.

What if I currently take the dependent care credit on my annual tax return?

Whether or not to participate in the daycare portion of this plans depends on your income, filing status, number of dependents, and annual daycare expenses.

The amount you deposit in your Dependent Care Reimbursement Account reduces the amount, dollar for dollar, that you can claim as credit on your tax return. Contact your CPA or tax consultant for further information.

How do I get reimbursed for my expenses?

Once you have completed the attached Enrollment Form, you will receive a claim form and instructions on how to file your claim. Simply complete the form, attach a copy of the healthcare or dependent care bill, and mail or fax the form to your plan administrator. Within a short time, you will receive your reimbursement.

Do I have to wait for the money to be deposited in my account in order to make a claim for reimbursement?

The annual amount you have allocated for the Healthcare Reimbursement Account is available to you at any time throughout the plan year. The amount available to you from the Dependent Care Reimbursement Account is the amount you have contributed to date.

How do I know how much is available in my account?

Each time you are reimbursed, you will receive a statement along with your reimbursement that shows the dollar amount you have been paid to date and your available balance. Contact your plan administrator for further options. On-line access is available. You may check your account balances and activities on-line.

What happens to my account if I terminate my employment?

You will be able to request reimbursement for healthcare and daycare expenses for services provided prior to your termination. Check your SPD for any additional rights or benefits provided by your company's plan.

What if I don't use all of the money I set aside in my accounts?

Carefully review your estimated expenses before making the decision to participate. Any contributions that are not used during the plan year will be forfeited and may not be paid to you in cash or used in a later plan year.

What if I am not covered under my company's health insurance plan?

Good news! You and your family can still participate in the Healthcare or Dependent Care Reimbursement Accounts.

How do I benefit for participating?

Your biggest advantage is the tax savings. Every dollar you set aside in your account reduces your income taxes, and you can be reimbursed for qualified expenses that you are already paying for!

Are there any negatives that I should know about?

Yes, because you are not paying any social security taxes on that portion of your income that has already been redirected, your social security benefits may be slightly reduced.

You can make more money this year...



...with the Flexible Benefits Plan!

Take advantage of your company's Flexible Benefits Plan and take home more money.



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A Flexible Benefit Plan

Helps your paycheck buy more!

Sometimes referred to as A cafeteria plan, flex plan, or section 125 plan - a Flexible Benefits Plan lets you set aside a certain amount of your paycheck into an account - before paying income taxes. During the year you have access to this account for reimbursement of expenses you regularly pay for, such as healthcare and dependent daycare. When you use tax-free dollars to pay for these expenses, you realize an increase in your spending power, and substantial tax savings.

Reimbursable expenses can include:

- ? Deductibles, Co-pays and Prescription Drugs.
- ? Qualified over-the-counter expenses
- ? Expenses not covered by insurance.
- ? Dental Services & Orthodontics.
- ? Eyeglasses, Contacts, Solutions & Eye Surgery.
- ? Weight-loss programs (associated with specific disease).
- ? Chiropractic services.
- ? Psychiatric care & Psychologist's fees.
- ? Smoking Cessation programs.
- ? Adult & Child Daycare services.
- ? And More!

Here's how it works . . .

Example: An employee makes \$2,000 each month and decides to participate in her employer's Flexible Benefits Plan. As a result, her insurance premiums and health and daycare expenses are paid with tax-free dollars, giving her an additional \$100 each month!

Without the plan		with the plan	
Gross Earnings	\$2,000	Gross Earnings	\$2,000
FICA, Federal, State Taxes	-\$500	Insurance Premium	-\$100
Insurance Premium	-\$100	Health & Daycare Expenses	<u>-\$300</u>
Health & Daycare Expenses	<u>-\$300</u>	Adjusted Gross Earnings	\$1,600
NET EARNINGS	\$1,100	FICA, Federal, State Taxes	<u>-\$400</u>
		NET EARNINGS	\$1,200

1. Carefully read this material and choose which options make sense for you to participate in.

2. Determine how much you expect to spend during the year for each option.

3. Complete the attached Enrollment Form and return it to your Human Resources Department.

Step 1: Your Options

There are several accounts you can participate in with the Flexible Benefits Pan.

1. Healthcare Reimbursement Account

This account reimburses you for healthcare expenses not covered by insurance. You set aside money, tax-free, through regular payroll deductions. During the year, you can be reimbursed directly from your account for those qualified health-care services provided that they are not covered by insurance.

Common expenses that qualify for reimbursement are - doctor visits, deductibles, co-payments, prescriptions, mental health care, dental services and orthodontics, chiropractic services, eye exams, glasses and contacts.

2. Dependent Care Reimbursement Account

Dependent care expenses are those that are necessary for you and your spouse (if married) to be gainfully employed.

This account reimburses you for daycare expenses for eligible children and adults. Through regular payroll deductions, you set aside part of your income to pay for these expenses on a tax-free basis. To qualify, your dependents must be:

- A child under the age of 13, or
- A child, spouse, or other dependent who is physically or mentally incapable of self-care and spends at least 8 hours a day in your household.

Step 2: Determining Your Reimbursable Expenses

By completing the following information, you can calculate your annual reimbursable expenses. Take into consideration the services to be provided during the upcoming plan year for you and your dependents.

Healthcare Expenses

Medical (1)*		Vision (2)*	
Deductibles		Exams	\$ _____
Co-payments	\$ _____	Eye Surgery	\$ _____
Doctor Visits	\$ _____	Lenses/Frames	\$ _____
Prescriptions	\$ _____	Contacts	\$ _____
Over the Counter	\$ _____	Solutions	\$ _____
Medication		Other	\$ _____
Other	\$ _____	TOTAL (2)	\$ _____
TOTAL (1)	\$ _____		

Dental (3)*

Routine	
Check-ups	
Fillings-Crowns	\$ _____
Orthodontics	\$ _____
Other	\$ _____

TOTAL (3) \$ _____

Dependent Daycare Expenses (4)

Children	\$ _____	TOTAL (4)
Deductibles	\$ _____	

Other Reimbursable Expenses **(5)

TOTAL (5) \$ _____

* Cosmetic procedures like teeth bleaching and face lifts are not eligible expenses for reimbursement.

** An "Additional Benefit" may not be offered by your employer. Check with your Human Resources Department.

Qualified expenses for reimbursement include - adult and child daycare centers, preschool and before/after school care.

3. Additional Benefit

Your employer may have included benefits in addition to the programs described above. Your Human Resources Department will send notification, along with this enrollment brochure, if any such additional benefits are being offered at this time.

4. Premium Savings Account

This account allows you to pay for employer-provided health and other insurance premiums with tax-free dollars. If you are covered under your employer's health and/or other insurance plans, you are automatically enrolled in this account! Be sure to let your employer know if you don't want the premiums paid tax-free.

Estimated Annual Expenses and

Total Healthcare Expenses (add 1+2+3)	\$ _____
Total Dependent Daycare Expenses (4)	\$ _____
Total Other Reimbursable Expenses (5)	\$ _____
Total Expenses	\$ _____
Tax Bracket Percentage (see below)	_____ %
Annual Tax Savings (multiply total expenses by tax bracket %)	\$ _____
Savings Amount Per Paycheck	\$ _____

(divide total expenses by number of paychecks you receive each year - Weekly = 52 - Bi-Monthly = 26 -15th & end of the month = 24 - Monthly = 12.

Tax Estimate Table

Based on a combination of social security, federal, and state income taxes.

If your annual Household earning are:	Estimated Tax rate is:
Less than \$30,000	25%
\$30,000 to \$40,000	29%
\$40,000 to \$70,000	31%
Greater than \$70,000	33%

These tax rates are estimates based on national averages and may not reflect your actual tax rate.

Step 3: Complete the Participation Form

Using the information you calculated in Step 2, complete the attached Participation Form and return it to your Human Resources Department.



GUIDELINES FOR THE USE OF FSA FUNDS TO PURCHASE OVER THE COUNTER PRODUCTS

The recently enacted Patient Protection and Affordable Care Act of 2010 has changed the rules for the purchase of over the counter (OTC) products using your Flexible Spending Account (FSA) pre-tax funds.

The IRS previously allowed OTC medicine and drugs to be reimbursed using your FSA dollars. However, **as of January 1, 2011:**

1. FSA funds can **no longer be used to purchase OTC medicine and drugs** unless a medicine or drug is prescribed. A "prescription" means a written or electronic order for a medicine or drug that meets the legal requirements of a prescription in the state in which the medical expense is incurred and that is issued by an individual who is legally authorized to issue a prescription in that state.

The OTC items affected include items in the following categories:

- Acid controllers
- Allergy & sinus
- Antibiotic products
- Anti-diarrheals
- Anti-gas
- Anti-itch & insect bite
- Antiparasitic treatments
- Baby rash ointments/creams
- Cold sore remedies
- Cough, cold & flu
- Digestive aids
- Feminine anti-fungal/itch
- Hemorrhoidal preps
- Laxatives
- Motion sickness
- Pain relief
- Respiratory treatments
- Sleep aids & sedatives
- Stomach remedies

2. If your account uses a **Benny Prepaid Benefits Card** and you have a prescription for an OTC medicine or drug, you must pay out of pocket at point of sale and then submit a manual claim requesting reimbursement. **You cannot use your Benny Prepaid Benefits Card for this purchase.**
3. You can continue to use your FSA funds to purchase OTC items that are not considered a medicine or drug (e.g. bandages, splints, contact lens solution, etc.) Please note that **insulin remains an eligible expense** with or without a prescription. **So your Benny Prepaid Benefits Card can continue to be used for these purchases.**
4. Remember to consider these new OTC rules when estimating the dollar amount to put in your FSA account for the next plan year.

If you have questions about this OTC change or need more information, please contact our office.

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